WEST VIRGINIA UNIVERSITY AT PARKERSBURG

Financial Statements as of and for the Years Ended June 30, 2012 and 2011 and Independent Auditors' Reports

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

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INDEPENDENT AUDITORS' REPORT

To the West Virginia University at Parkersburg Board of Governors:

We have audited the accompanying statements of net assets of West Virginia University at Parkersburg ("WVU at Parkersburg") as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the management of WVU at Parkersburg. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the discretely presented financial statements of the WVU at Parkersburg Foundation, Inc. (the "Foundation"). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Foundation, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Foundation, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVU at Parkersburg's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that these audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such financial statements present fairly, in all material respects, the financial position of WVU at Parkersburg and the discretely presented component unit of WVU at Parkersburg as of June 30, 2012 and 2011 and the changes in their net assets and its cash flows where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 to 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of WVU at Parkersburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

November 21, 2012

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Overview

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). This section of West Virginia University at Parkersburg's ("WVU at Parkersburg", "WVUP", or "College") annual financial report provides an overview of WVUP's financial performance during the fiscal year ended June 30, 2012 as compared to the previous fiscal year. Comparative analysis is also presented for fiscal year 2011 compared to fiscal year 2010. The primary focus is on fiscal year 2012.

WVUP's annual report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These statements focus on the financial condition, the results of operations, and cash flows of WVU at Parkersburg. Each of these statements is discussed below.

Financial Highlights

At June 30, 2012, WVUP's total net assets increased from the previous year-end by $4.9 million, primarily due to increases in cash and cash equivalents, accounts receivable and capital assets, net of depreciation, as well as decreases in accounts payable, debt service assessment payable to the Commission and leases payable. These changes were partially offset by increases in deferred revenue, notes payable and other post employment benefits ("OPEB") liability, as well as decreases in due from the Council/Commission.

Total revenues increased by 5.2%, mainly due increases in capital payments on behalf, State appropriations, Federal and State grants and contracts, and sales and services of educational departments, offset by decreases in Federal Pell grants, net tuition and fees, nongovernmental grants and contracts, and State fiscal stabilization funds. Total expenses decreased 7.6% from prior year mainly because of decreased benefits expense, scholarship and fellowships expense, supplies and other services expenses, and interest on capital asset-related debt, offset by increases in salaries and wages expense.

Net Assets

The statements of net assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) of WVUP as of the end of the fiscal years. Assets denote the resources available to continue the operations of WVUP. Liabilities indicate how much WVUP owes vendors, employees and lenders. Net assets measure the equity or the availability of funds of WVUP for future periods.

Net Assets are displayed in three major categories:

Invested in capital assets, net of related debt. This category represents WVUP's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets. This category includes net assets, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - nonexpendable and expendable. **Nonexpendable restricted net assets** include endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. WVUP did not have any nonexpendable restricted net assets during fiscal year 2011 or fiscal year 2012. **Expendable restricted net assets** include resources for which WVUP is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets. This category includes resources that are not subject to externally imposed stipulations. Such resources are derived primarily from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of WVUP and may be designated for specific purposes by action of WVUP's management or the Board of Governors.

Condensed Statements of Net Assets (in thousands)

Condensed Statement of Net Assets

	As of June 30		
	2012	**2011**	**2010**
Assets			
Current Assets	$ 14,216	$ 11,691	$ 11,306
Noncurrent Assets	20,528	16,715	14,944
Total Assets	$ 34,744	$ 28,406	$ 26,250
Liabilities			
Current Liabilities	$ 4,471	$ 4,150	$ 4,222
Noncurrent Liabilities	7,751	6,666	5,291
Total Liabilities	$ 12,222	$ 10,816	$ 9,513
Net Assets			
Invested in Capital Assets, net of related debt	$ 17,054	$ 13,007	$ 11,303
Restricted	459	464	326
Unrestricted	5,009	4,119	5,108
Total Net Assets	$ 22,522	$ 17,590	$ 16,737

Total assets of WVU at Parkersburg increased by $6.3 million to a total of $34.7 million as of June 30, 2012. The increase was primarily due to increases in cash and cash equivalents, net capital assets and net accounts receivable, offset by decreases in due from the Council/Commission.

- Cash and cash equivalents increased $1.7 million compared to prior year primarily due to increased cash inflows from State appropriations, grants and contracts, and sales and services of educational departments, and decreased cash outflows due to decreases in payments for scholarship and fellowship and payments to suppliers. The increase is offset by decreases in cash inflows from tuition and fees, Federal Pell grants, State fiscal stabilization funds, and other operating and nonoperating receipts, as well as increased cash outflows from payments to employees.

- Capital assets, net increased $4.2 million as a result of construction-in-progress activities including the training center renovation funded by HEPC 2009 B Facilities Bonds and W.T. Grant Building renovation. Land improvements include new black top on the East Lot. Various building projects completed on campus include the theater and theater roof renovations, new A/C in the Activities Wing, completion of Energy Lab and IT renovation of 1st floor and basement. The overall increase in capital assets was offset by retirements in equipment. Net capital assets increased $1.4 million from fiscal year 2010 to fiscal year 2011.

- Net accounts receivable increased $457,000 due to increases in student accounts receivable, due from other State agencies and billings to the City of Parkersburg. Net accounts receivable decreased $31,000 from fiscal year 2010 to fiscal year 2011 due to decreases in grants receivable.

- Due from the Council/Commission decreased $92,000 compared to the previous fiscal year. This is due to decreases in funds provided by the FIPSE IPass and Green Up programs. Due from the Council/ Commission had increased $100,000 from fiscal year 2010 to fiscal year 2011 due to increases in FIPSE IPass and Green Up programs.

Total liabilities for the year increased by $1.4 million over the prior year. This increase is primarily attributable to increases in OPEB liability, notes payable and deferred revenue. This increase is partially offset by decreases in leases payable, accounts payable and debt service assessment payable to the Commission.

- Other post employment benefits liability increased another $1.3 million in 2012 due to the annual required contribution ("ARC") rate allocated to WVUP by the West Virginia Retiree Health Benefit Trust Fund (the "Trust"). The OPEB liability represents WVUP's accumulated unpaid ARC to the Trust. The OPEB liability had increased from fiscal year 2010 to fiscal year 2011 by $1.3 million.

- Notes payable increased $3.0 million due to the issuance of notes payable due to West Virginia University ("WVU") when WVUP's portion of the Energy Performance Phase II contract lease payable was paid off when WVU issued bonds during fiscal year 2012. Leases payable decreased $3.2 million from prior year due to this payoff. Notes payable increased $400,000 from fiscal year 2010 to fiscal year 2011, for a loan from the Commission.

- Deferred revenue increased $743,000 from prior year. This is primarily attributable to the deferral of tuition and fees revenue from the summer 2012 semester. Deferred revenue decreased $233,000 from fiscal year 2010 to fiscal year 2011 due to decline in grants deferred revenue.

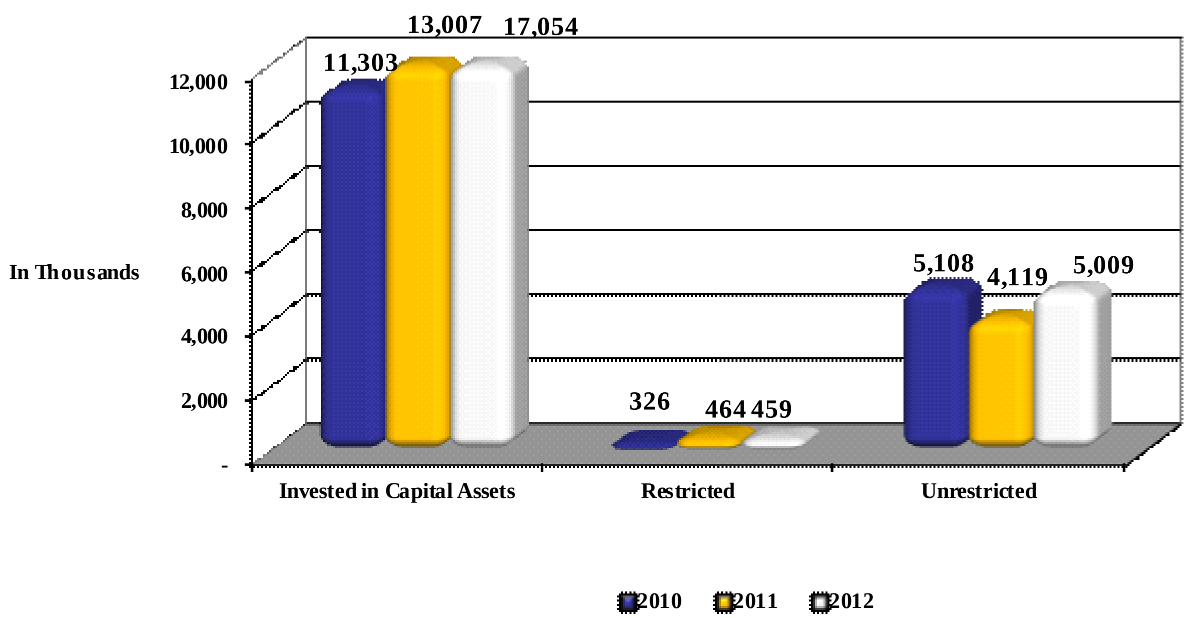
- Accounts payable decreased $311,000 from prior year. This is primarily due to decreases in tuition and fees accounts payable due to changes in procedures and overall decline in enrollment; the overall decrease is offset by increases in the Downtown Campus Loan Fund accounts payable. Accounts payable and service agreement payable to WVU decreased $134,000 from fiscal year 2010 to 2011.

- Debt service assessment payable to the Commission decreased by $151,000 due to final scheduled debt service (principal) payments in fiscal year 2012. This decrease is consistent with the $144,000 decrease in such liability from fiscal year 2010 to fiscal year 2011.

WVUP's current assets of $14.2 million were sufficient to cover current liabilities of $4.4 million, indicating that WVUP has sufficient available resources to meet its current obligations.

The following is a comparative illustration of net assets.

COMPARISON OF NET ASSETS
June 30, 2012 and 2011



Invested in capital assets, net of related debt, increased $4.0 million from prior year. This increase is primarily due to an increase in net capital assets and decreases in debt assessment payable to the Commission and leases payable. The increase is partially offset by an increase in notes payable. This category increased $1.7 million from fiscal year 2010 to fiscal year 2011.

Restricted net assets decreased by $5,000 due to a decrease in restricted for scholarships and fellowships category and offset by an increase in the sponsored program category. The change in this net asset category from fiscal year 2010 to fiscal year 2011 was an increase of $138,000.

Unrestricted net assets increased $890,000 due primarily to increases in State appropriations revenue. This category decreased $989,000 from fiscal year 2010 to fiscal year 2011.

Revenues, Expenses and Changes in Net Assets

The statements of revenues, expenses and changes in net assets present the operating revenues, operating expenses, nonoperating revenues and expenses and other revenues, expenses, gains or losses of WVUP for the fiscal years presented.

State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the West Virginia Legislature (the "Legislature") to WVUP without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Federal Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the NACUBO alternative method. Under this method, certain aid, such as loans and federal Stafford loans, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

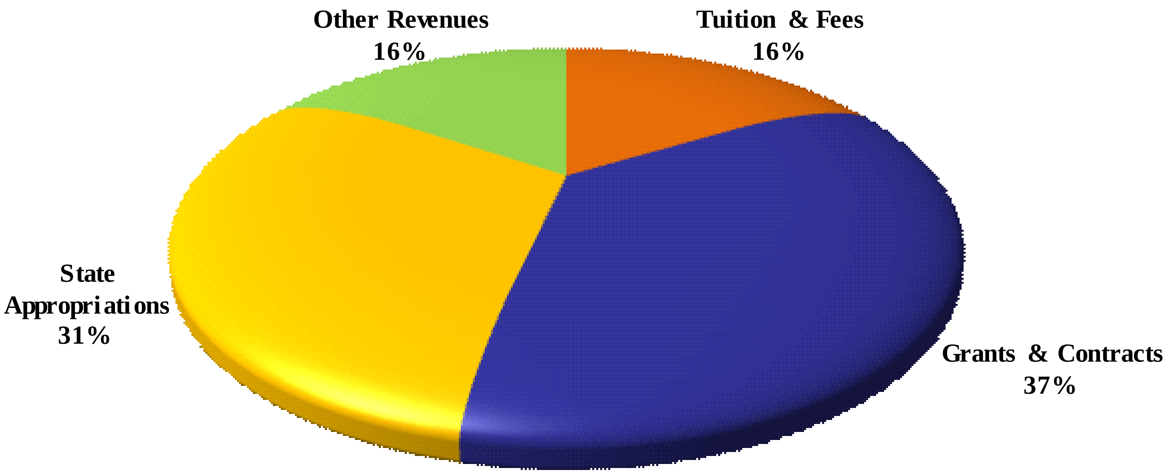
Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	Year Ended June 30		
	2012	**2011**	**2010**
Operating Revenues	$ 10,097	$ 9,922	$ 9,917
Operating Expenses	28,684	31,296	28,155
Operating Loss	(18,587)	(21,374)	(18,238)
Net Nonoperating Revenues	20,204	21,898	19,587
Income before Other Revenues, Expenses, Gains, or Losses	1,617	524	1,349
Capital payments on behalf of WVU Parkersburg	3,315	329	12
Increase in Net Assets	4,932	853	1,361
Net Assets at Beginning of Year	17,590	16,737	15,376
Net Assets at End of Year	$ 22,522	$ 17,590	$ 16,737

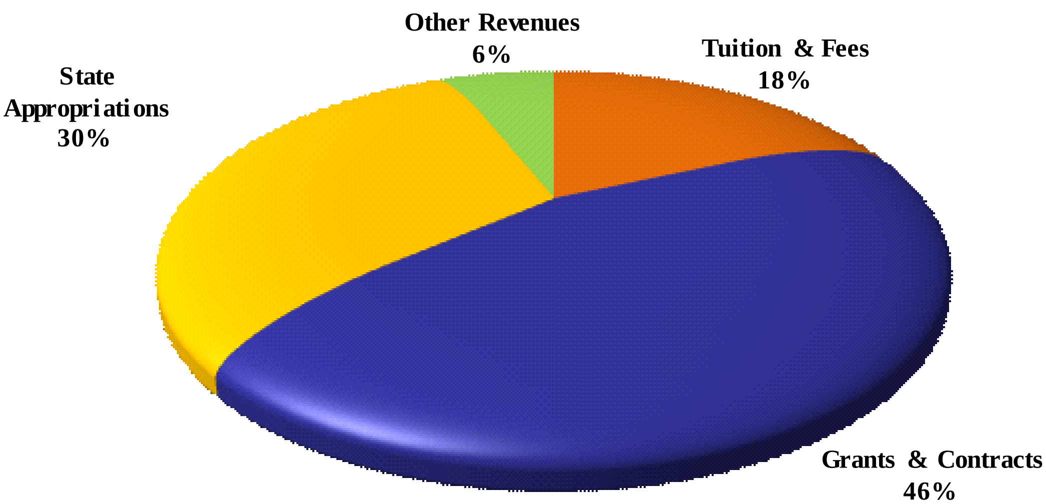
Revenues:

The following charts illustrate the composition of revenues by source for 2012 and 2011:

2012



2011



Total revenues for fiscal year 2012 were $33.9 million, an increase of $1.7 million over prior year. The most significant sources of revenue for WVUP are State appropriations, Federal Pell grants, grants and contracts, tuition and fees, and capital payments on behalf. Some highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

- State appropriations increased $1.5 million during fiscal year 2012. The fiscal year 2012 State appropriation allocation restored the appropriation to prior years' levels as State fiscal stabilization funds were no longer available. State fiscal stabilization funds of $793,000 were received in fiscal year 2011. State appropriations decreased by $118,000 from fiscal year 2010 to fiscal year 2011 due to a combination of factors that included general State appropriations declined as a result of a State planned reduction in the base budget allocations. The fiscal year 2011 budgeted decreases were offset by State fiscal stabilization funds, which were Federal American Recovery and Reinvestment Act funds allocated by the State for this purpose.

- Federal Pell grants revenue decreased $2.1 million. This decrease can be attributed to Workforce and Trade Adjustment Assistance Pell grants allowed by the Federal government in fiscal year 2011 but not in fiscal year 2012 and a decline in overall enrollment. Federal Pell grants revenue increased $2.2 million from fiscal year 2010 to fiscal year 2011.

- Federal grants and contracts revenue increased by $220,000 over prior year. The increase is primarily due to increases in College Workstudy, CCAMPIS, Nursing Access DOL, and US DOE IPass grants. This category of revenue increased $283,000 from fiscal year 2010 to fiscal year 2011.

- State grants and contracts revenue increased $154,000 from prior year due to new grants and changes in existing grants. Significant new grants include Nursing SB1011 grant, WDI Grant DuPont L&E Coop grant, Culinary Arts grant and Diversified Agriculture grant. These increases are offset by grants received in fiscal year 2011 that were not received in fiscal year 2012; the most significant was the Fed Stimulus Caperton HVAC grant. State grants and contracts increased by $653,000 recorded from fiscal year 2010 to fiscal year 2011.

- Sales and services of educational departments' revenue increased $462,000 from prior year. This increase is primarily due to increases in testing fees. This category of revenue increased $2,000 from fiscal year 2010 to fiscal year 2011.

- Capital payments on behalf of WVU Parkersburg increased $3.0 million from prior year due to additional funding provided by the HEPC 2009 B Facilities Bond for construction in progress of the WVUP Training Center. This category increased $317,000 from fiscal year 2010 to fiscal year 2011.

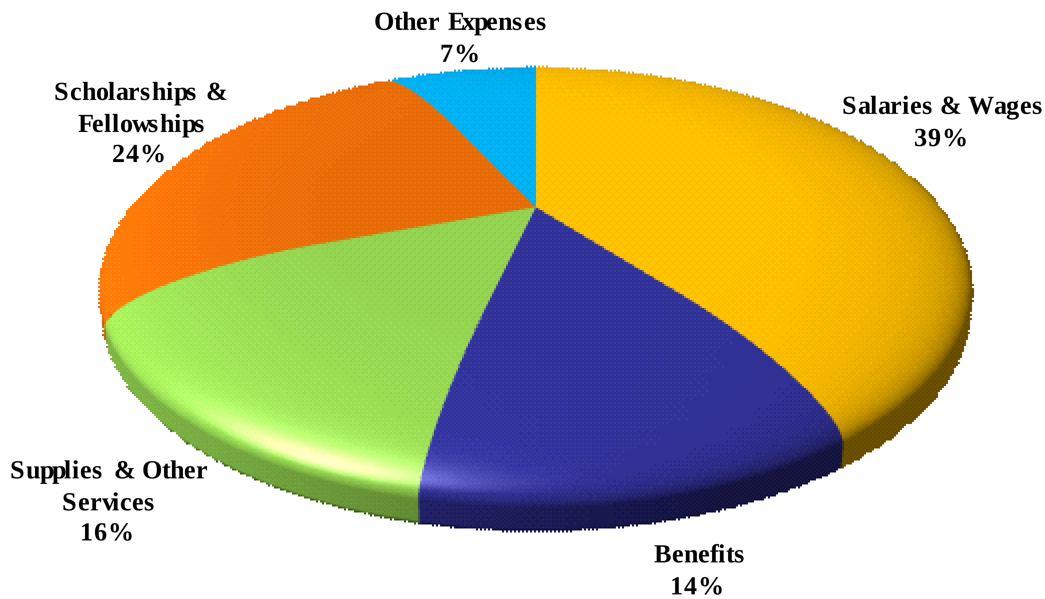
- Tuition and fees, net decreased $339,000 due to an increase in the scholarship allowance caused by increases in institutional resources provided as financial aid, non-money institutional waivers, and a decrease in the amount of refunds applied as student aid expense. The decrease is offset by an increase in tuition rates of 9.6% and increased fees which is offset by a decline in enrollment of 7%. Tuition and fees, net increased $269,000 from fiscal year 2010 to fiscal year 2011 due to increases in enrollment and tuition rates offset by increases in the scholarship allowance.

- Nongovernmental grants and contracts revenue decreased by $235,000. This decrease is due to grants received in fiscal year 2011 that were not received in fiscal year 2012; the most significant includes the Foundation Faulty Development grant and the Changing the Equation grant. This category of revenue increased by $179,000 from fiscal year 2010 to fiscal year 2011.

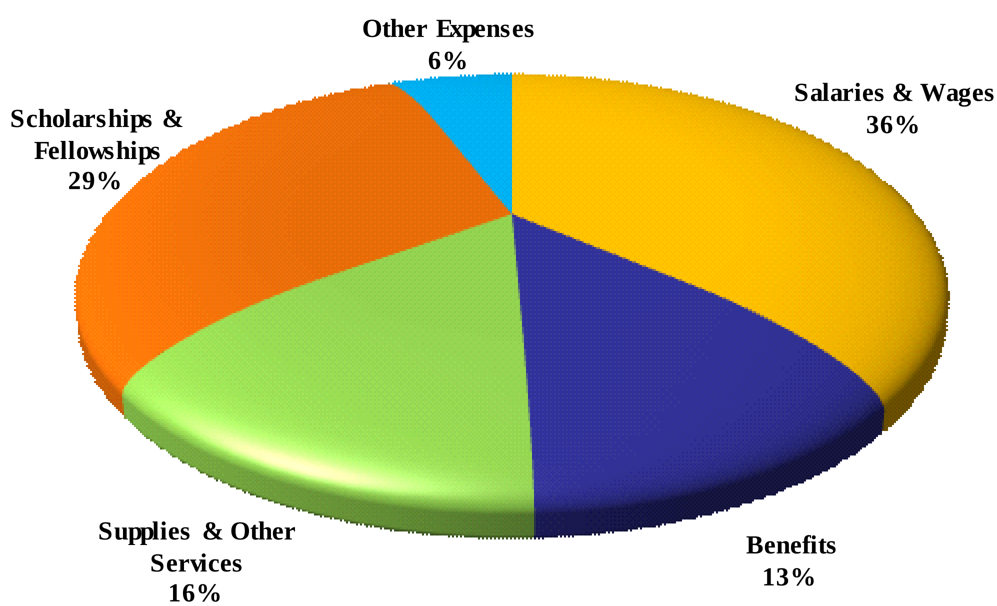
Expenses:

The following is a graphic comparison of total expenses by category between 2012 and 2011:

2012



2011



Total expenses for fiscal year 2012 were $29.0 million, a decrease of $2.4 million. This decrease is primarily due to changes in the categories of expenses as detailed below. Total expenses increased $3.0 million from fiscal year 2010 to fiscal year 2011.

- Scholarship and fellowship expenses decreased by approximately $2.3 million from the prior year. This is mainly due to decreases in Federal Pell grants, HEAPS, WFHEAPS, and private scholarships disbursements and an increase in scholarship allowance. The decrease is offset by an increase in tuition waivers. This expense category increased $1.7 million from fiscal year 2010 to fiscal year 2011.

- Supplies and other services decreased $331,000 mainly due to decreases in computer services and supplies, computer software, equipment less than $5,000, research and educational supplies and other general expenses. This decrease is offset by increases in contractual and professional services and consultants and consulting fees. Supplies and other services increased $691,000 from fiscal year 2010 to fiscal year 2011.

- Other nonoperating expenses increased $291,000 from prior year due to the retirement of equipment including EMS training systems and mechanical trainers. A small gain was reported in fiscal year 2011.

- Interest on capital asset-related debt decreased $62,000 from the prior year. This decrease is due to the timing of a notes payable payment to WVU and an increase in the amount of interest capitalized in fiscal year 2012. Interest on capital asset-related debt decreased $84,000 from fiscal year 2010 to fiscal year 2011.

- Salaries and wages increased by approximately $112,000 from the prior year. This increase is largely due to the salary enhancements provided during fiscal year 2012. Faculty received a benchmark increase effective in August 2011. Non-classified and classified staff received raises and the salary schedule for classified staff became fully funded September 2011. Salaries and wages increased $539,000 from fiscal year 2010 to fiscal year 2011.

Cash Flows

The statements of cash flows provide information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of WVU at Parkersburg during the year. This statement helps users assess WVUP's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five sections:

Cash flows from operating activities. This section shows the net cash used by the operating activities of WVUP.

Cash flows from noncapital financing activities. This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

Cash flows from capital financing activities. This section includes cash used for the acquisition and construction of capital and related items.

Cash flows from investing activities. This section shows the purchases, proceeds, and interest received from investing activities.

Reconciliation of operating loss to net cash used in operating activities. This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

Condensed Statements of Cash Flows (in thousands)

	Year Ended June 30		
	2012	**2011**	**2010**
Cash Provided (Used) By:			
Operating Activities	$ (16,418)	$ (19,306)	$ (16,723)
Noncapital Financing Activities	20,441	22,331	20,651
Capital Financing Activities	(2,296)	(2,289)	(1,831)
Investing Activities	14	18	22
Increase in Cash and Cash Equivalents	1,741	754	2,119
Cash and Cash Equivalents, Beginning of Year	11,586	10,832	8,713
Cash and Cash Equivalents, End of Year	$ 13,327	$ 11,586	$ 10,832

Total cash and cash equivalents increased by $1.7 million during fiscal year 2012 to $13.3 million.

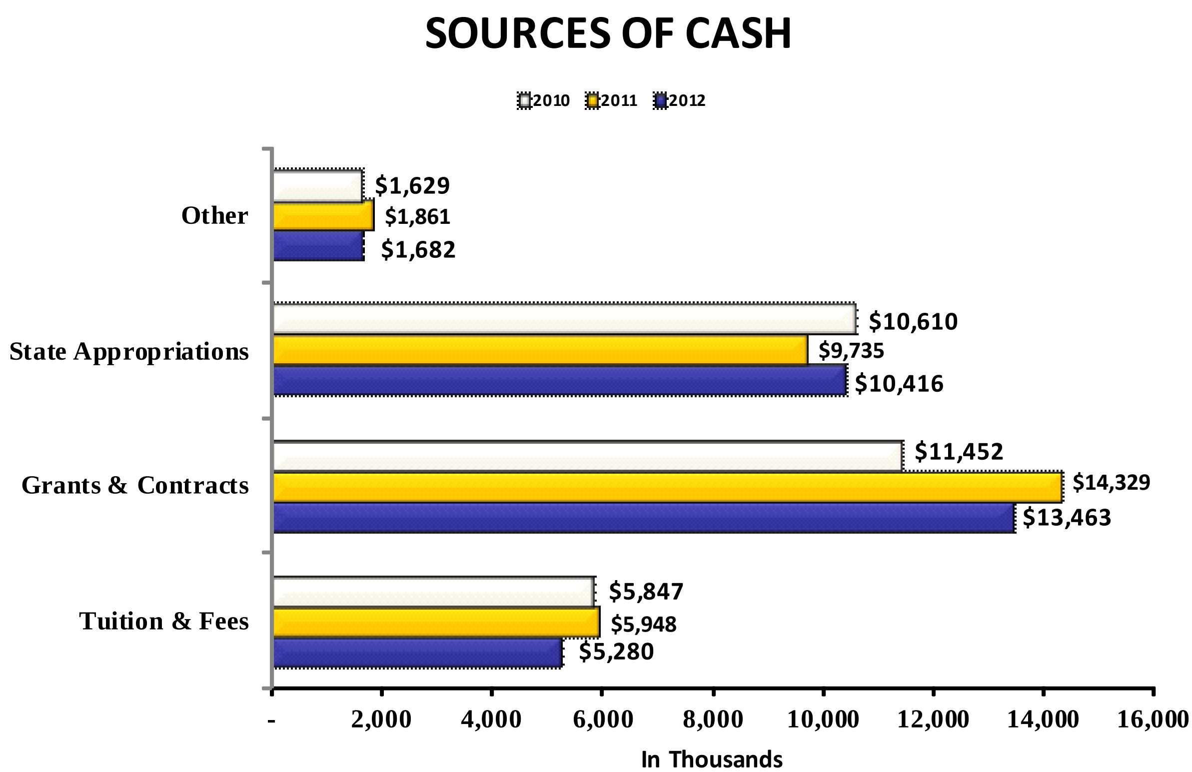
- Net cash used in operating activities decreased $2.9 million primarily due to a decrease in payments for scholarships and fellowships and tuition and fees. This decrease in outflows is offset by an increase in cash inflows from grants and contracts. This category experienced an increase in cash used of $2.6 million from fiscal year 2010 to fiscal year 2011.

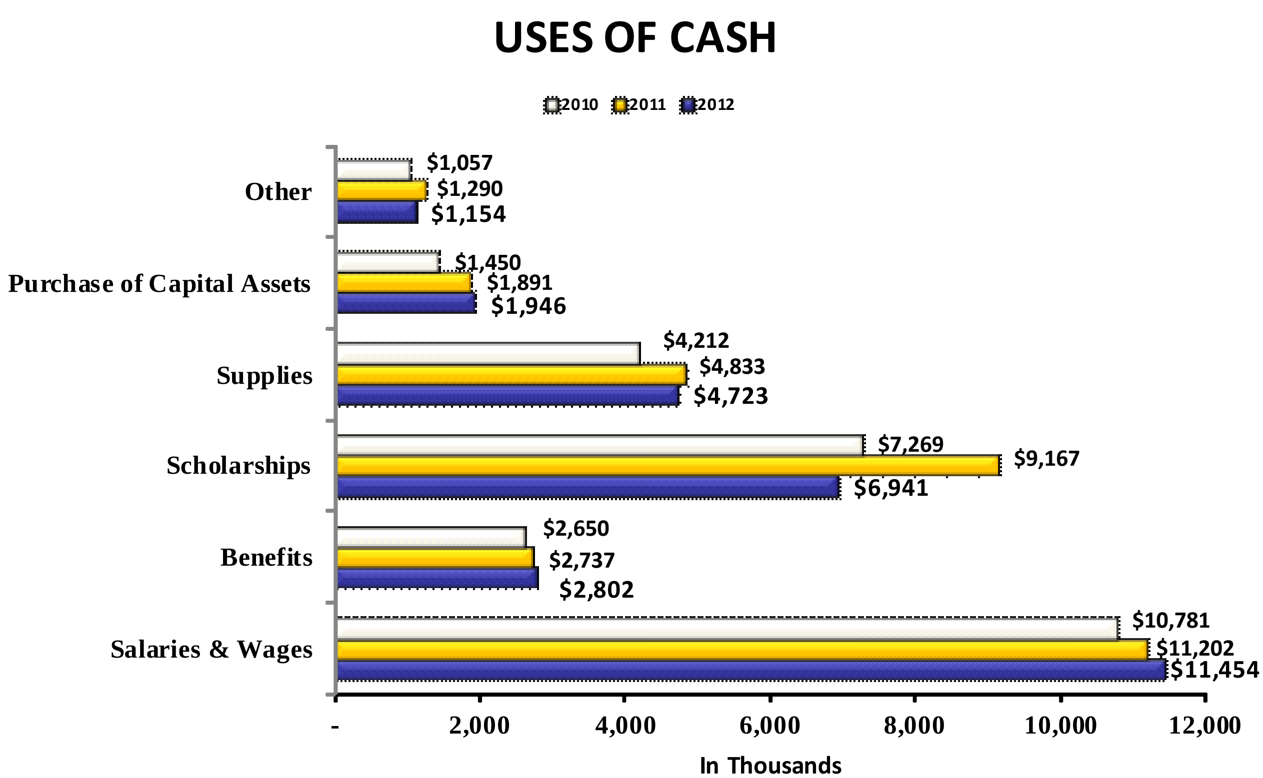
- Net cash provided by noncapital financing activities decreased by approximately $1.9 million primarily due to a decrease in Federal Pell grants and State fiscal stabilization funds. This decrease is offset by an increase in State appropriations. This category experienced an increase of $1.7 million from fiscal year 2010 to fiscal year 2011.

- Net cash used in capital financing activities increased $7,000 primarily due to an increase in cash outflows for the purchase of capital assets and principal paid on capital debt and leases. This category experienced an increase of $458,000 from fiscal year 2010 to fiscal year 2011.

- Net cash from investing activities decreased $4,000 as a result of a decrease in investment income. This category experienced a decrease of $4,000 from fiscal year 2010 to fiscal year 2011.

The following graphs illustrate the sources and uses of cash:





Capital Asset and Long Term Debt Activity

WVU at Parkersburg completed several construction projects in fiscal year 2012 and 2011, financed by notes payable, leases, gifts and other WVUP funds.

2013

The most significant capital activity will be the card access project. In addition, renovations will begin in the main building, including: new flooring placed in the student lounge, wall unit heaters replaced in the banana wing, doors replaced in the front entryway, locker rooms remodeled, and science labs renovated. The roof for the Workforce Community Education building will also be coated in order to increase its life span, sidewalks will be repaired, and the parking lot will be re-paved. All of these projects are expected to be completed during fiscal year 2013. Renovations to the W.T. Grant Building remain on-going with the addition of the Culinary Kitchen, expected to be completed during fiscal year 2013. Renovations for the former children's room will also be planned and construction is expected to extend into fiscal year 2014.

2012

The most significant capital activity was the completion of the roof replacement on the downtown center. Other completed projects include: replacement of loading dock and steps at the theater entrance as well as a complete roof replacement and original renovation plan, replacement of entrance doors and heater in the banana wing, renovations of the Foundation, Institutional Advancement and Information Technology offices, parking lot light poles painted, and campus signage created. Construction was also completed on the new A/C Activities Wing and Energy Training Lab. W.T. Grant Building renovations are expected to continue into fiscal year 2013.

2011

The most significant capital activity completed includes: the Caperton Center HVAC project, a new storage building for the storage of salt, fire alarm system upgrades, the addition of a clock tower, the renovation of the Jackson County Parking Lot, the renovation of the Business Office, and IT Renovation projects. Renovations on the Theater, the W.T. Grant Building, and Energy Training Lab also occurred during fiscal year ended 2011.

WVU at Parkersburg has planned capital expenditures of approximately $2.0 million during fiscal year 2013. The largest project is the W.T. Grant Building Renovations with additional expenditures estimated at $1.3 million to occur in fiscal year 2013 due to the addition of the Culinary Kitchen. Also, the theater renovation project is projected to incur an estimated additional amount of $125,000 in renovations during fiscal year 2013.

The Commission assessed each public institution of higher education for funds to meet the payment of debt service on various revenue bonds that were issued for the financing of academic and other facilities of the State's universities and colleges, including certain facilities at WVUP. The bonds were a capital obligation of the Commission. In 2012, assessments from the Commission were paid in full.

Economic Outlook

WVU Parkersburg is located in Wood County in West Virginia. The severe economic downturn the State of West Virginia, along with the rest of the United States, experienced in the 2009 fiscal year continues to affect the economic conditions and outlook in Wood County for the foreseeable future. However, the outlook points to a continued slow economic recovery in the near future. According to Workforce West Virginia's labor market statistics, Wood County's unemployment rate continues to decline from the high levels of 11% reached at the height of the recession, and the County experienced a decline from 8.5% in July 2011 to 7.4% in July 2012. The State average stood at 7.2% in July 2012.

The West Virginia Economic Outlook 2012, a report published by the WVU Bureau of Business and Economic Research, projects modest job growth in the remainder of calendar year 2012 and beyond. The forecast calls for job growth in West Virginia during the next five years, assuming the national economy avoids recession but the job growth will average 1.0 percent per year during the 2011-2016 period, and well below the national rate of 1.6 percent per year. The report expects sustained job growth to lead to a gradually declining state unemployment rate during the next five years decreasing from 9.1 percent in 2010 to 6.4 percent by 2016.

Since WVUP receives about a third of its annual operating resources in the form of State appropriations, the College's financial resources are closely tied to the fiscal performance of the State of West Virginia. The near-static growth in the State's economic outlook as stated above, coupled with other negative factors, is expected to affect the State's fiscal situation at least in the short term, resulting in fiscal difficulties in the coming years. According to the State's budget office, balancing the upcoming FY 2014 Budget will be a challenge that requires fiscal discipline, since recent projections show a significant funding gap for FY 2014. Anticipated revenues are not expected to keep pace with costs for current programs since general revenues are projected to grow by less than 1%., in addition to a decline of lottery revenues by 4% for Fiscal Year 2014, due to the sluggish national economy and a slowdown in the mining of coal. As such, State support for the College is slated to be reduced by 7.5% in Fiscal Year 2014. The College suffered reductions in State appropriations at the height of the recent economic recession.

The College has put in place strategies and measures to help manage the reduction in State appropriations which started during the economic downturn. WVUP will continue to implement revenue enhancement strategies and numerous cost control measures to reduce the growth in operating expenditures in the coming fiscal years. A significant source of revenue increase in the past has been student tuition and fees. WVUP has one of the lowest tuition rates in West Virginia, and the College was allowed to raise tuition in the 2011-2012 academic year, for the first time in two years, and again in the coming academic year 2012-2013.

Tuition revenue, which is a significant share of WVUP's operating resources, is materially impacted by fluctuations in enrollment which occur in response to major changes in overall economic conditions. The recent economic downturn led to a significant increase in enrollment at WVUP (20% increase between AY2009 and AY2011), as displaced and underemployed members of the workforce enrolled at WVUP to further their education. This spike generated additional tuition and fees revenues for WVUP. However, as the economy improves, this surge in enrollment has reversed as displaced workers return to work. For FY2012, despite a 9.6 percent increase in the tuition rate, total tuition revenue decreased. This decline in enrollment is expected to continue in the near future.

Another revenue enhancement strategy WVUP continues to pursue is utilization of grants, donations and gifts. Improving the level of Federal, State and private grant activity at WVUP has been a strategic priority for the past several years and the increased focus has been successful as grant revenues rose significantly during the past two fiscal years. These strategic efforts are continuing and WVUP expects this trend in grant related revenue to continue in FY2013 and beyond.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 AND 2011
(Dollars in Thousands)

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,327	$ 11,186
Accounts receivable - net	573	116
Due from the Council/Commission	17	109
Inventories	287	261
Prepaid expenses	12	19
Total current assets	14,216	11,691
Noncurrent Assets:		
Cash and cash equivalents	-	400
Capital assets, net	20,528	16,315
Total noncurrent assets	20,528	16,715
TOTAL ASSETS	$ 34,744	$ 28,406
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 279	$ 590
Accrued liabilities	155	155
Accrued payroll	473	453
Deferred revenue	3,018	2,275
Due to the Council/Commission	7	-
Compensated absences	306	342
Debt service assessment payable to the Commission	-	151
Leases payable, current portion	-	104
Note payable to West Virginia University, current portion	153	-
Note payable to the Commission, current portion	80	80
Total current liabilities	4,471	4,150
Noncurrent Liabilities:		
Other post employment benefits liability	4,602	3,283
Leases payable	-	3,063
Note payable to West Virginia University	2,909	-
Note payable to the Commission	240	320
Total noncurrent liabilities	7,751	6,666
TOTAL LIABILITIES	$ 12,222	$ 10,816
NET ASSETS		
Invested in capital assets, net of related debt	$ 17,054	$ 13,007
Restricted for:		
Expendable:		
Scholarships and fellowships	114	120
Sponsored programs	345	344
Total expendable	459	464
Unrestricted	5,009	4,119
TOTAL NET ASSETS	$ 22,522	$ 17,590

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

WVU AT PARKERSBURG FOUNDATION, INC.
COMPONENT UNIT - STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and Cash Equivalents	$ 523,103	$ 436,598
Investments, at Fair Value	6,835,583	7,055,935
Accrued Interest and Dividends Receivable	8,522	12,471
Other Assets	2,014	2,014
TOTAL ASSETS	**$ 7,369,222**	**$ 7,507,018**
LIABILITIES		
Accounts Payable	$ 11,597	$ 4,762
TOTAL LIABILITIES	**11,597**	**4,762**
NET ASSETS		
Unrestricted	163,766	212,524
Temporarily Restricted	5,359,716	5,401,394
Permanently Restricted	1,834,143	1,888,338
TOTAL NET ASSETS	**7,357,625**	**7,502,256**
TOTAL LIABILITIES AND NET ASSETS	**$ 7,369,222**	**$ 7,507,018**

The accompanying notes are an integral part of this financial statement.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in Thousands)

	2012	2011
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $4,455 and $3,827	$ 5,586	$ 5,925
Federal grants and contracts	611	391
State grants and contracts	1,789	1,635
Local grants and contracts	33	63
Nongovernmental grants and contracts	133	368
Sales and services of educational departments	494	32
Auxiliary enterprises, net of scholarship allowances of $36 and $28	45	42
Other operating revenues (including revenue from outsourced enterprise of $356 and $192)	1,406	1,466
Total operating revenues	10,097	9,922
OPERATING EXPENSES		
Salaries and wages	11,473	11,361
Benefits	4,076	4,126
Scholarships and fellowships	6,845	9,164
Utilities	553	582
Supplies and other services	4,584	4,915
Depreciation	796	798
Assessments by the Commission for operations	107	100
Service agreement expense to West Virginia University	250	250
Total operating expenses	28,684	31,296
OPERATING LOSS	(18,587)	(21,374)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	10,416	8,942
State fiscal stabilization funds	-	793
Payments on behalf of WVU Parkersburg	17	-
Gifts	38	66
Federal Pell grants	10,043	12,179
Investment income	14	18
Interest on capital asset-related debt	(57)	(119)
Credit from the Commission for debt service	24	17
Other nonoperating (expenses) revenues - net	(291)	2
Net nonoperating revenues	20,204	21,898
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,617	524
Payments made and expenses incurred on behalf of WVU Parkersburg	3,315	329
INCREASE IN NET ASSETS	4,932	853
NET ASSETS--BEGINNING OF YEAR	17,590	16,737
NET ASSETS--END OF YEAR	$ 22,522	$ 17,590

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

WVU AT PARKERSBURG FOUNDATION, INC.
COMPONENT UNIT - STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$	$ 178,619	$	$ 178,619
Interest and Dividend Income	4,418	179,939	45,307	229,664
Net Realized and Unrealized Gains (Losses) on Investments	(6,796)	(194,325)	(71,647)	(272,768)
Net Assets Released from Restrictions	233,766	(205,911)	(27,855)	-0-
TOTAL REVENUES, GAINS, AND AND OTHER SUPPORT	**231,388**	**(41,678)**	**(54,195)**	**135,515**
EXPENSES				
Grants and Scholarships	76,360			76,360
Trust Fees	36,528			36,528
Salaries and Benefts	20,878			20,878
Other Operating Expenses	146,380			146,380
TOTAL EXPENSES	**280,146**	**-0-**	**-0-**	**280,146**
CHANGE IN NET ASSETS	**(48,758)**	**(41,678)**	**(54,195)**	**(144,631)**
NET ASSETS AT BEGINNING OF YEAR	**212,524**	**5,401,394**	**1,888,338**	**7,502,256**
NET ASSETS AT END OF YEAR	**$ 163,766**	**$ 5,359,716**	**$ 1,834,143**	**$ 7,357,625**

The accompanying notes are an integral part of this financial statement.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

WVU AT PARKERSBURG FOUNDATION, INC.
COMPONENT UNIT - STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$	$ 178,391	$	$ 178,391
Interest and Dividend Income	4,925	139,238	45,186	189,349
Net Realized and Unrealized Gains (Losses) on Investments	25,575	712,397	237,146	975,118
Net Assets Released from Restrictions	327,310	(282,575)	(44,735)	-0-
TOTAL REVENUES, GAINS, AND AND OTHER SUPPORT	**357,810**	**747,451**	**237,597**	**1,342,858**
EXPENSES				
Grants and Scholarships	108,897			108,897
Trust Fees	34,898			34,898
Salaries and Benefts	25,104			25,104
Other Operating Expenses	168,943			168,943
TOTAL EXPENSES	**337,842**	**-0-**	**-0-**	**337,842**
CHANGE IN NET ASSETS	**19,968**	**747,451**	**237,597**	**1,005,016**
NET ASSETS AT BEGINNING OF YEAR	**192,556**	**4,653,943**	**1,650,741**	**6,497,240**
NET ASSETS AT END OF YEAR	**$ 212,524**	**$ 5,401,394**	**$ 1,888,338**	**$ 7,502,256**

The accompanying notes are an integral part of this financial statement.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in Thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 5,280	$ 5,948
Grants and contracts	3,420	2,150
Payments to suppliers	(4,723)	(4,833)
Payments to employees	(11,454)	(11,202)
Payments for benefits	(2,802)	(2,737)
Payments to utilities	(554)	(578)
Payments for scholarships and fellowships	(6,941)	(9,167)
Auxiliary enterprise receipts	45	42
Sales and service of educational departments	494	32
Payments of operating expenses to West Virginia University	(250)	(313)
Other receipts	1,067	1,352
Net cash used in operating activities	(16,418)	(19,306)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	10,416	8,942
State fiscal stabilization funds	-	793
Gifts	38	-
Federal Pell grants	10,043	12,179
Credit from the Commission for debt service	24	17
Principal paid on loan from Commission	(80)	-
Other nonoperating receipts	-	400
Cash provided by noncapital financing activities	20,441	22,331
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments on Commission debt assessment payable	(151)	(144)
Purchases of capital assets	(1,946)	(1,891)
Receipt from West Virginia University loan	3,167	-
Payment of capital lease with loan proceeds	(3,167)	-
Principal paid on capital debt and leases	(105)	(125)
Interest paid on capital debt and leases	(94)	(130)
Cash used in capital financing activities	(2,296)	(2,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	14	18
Cash provided by investing activities	14	18
INCREASE IN CASH AND CASH EQUIVALENTS	1,741	754
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	11,586	10,832
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,327	$ 11,586

(continued)

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in Thousands)

	2012	2011
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	$ (18,587)	$ (21,374)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	796	798
Donations	-	66
Expenses paid on behalf of WVU Parkersburg	17	-
Changes in assets and liabilities:		
Accounts receivable, net	(457)	31
Due from the Commission	92	(100)
Prepaid expenses	6	(8)
Inventories	(27)	46
Accounts payable	(310)	(71)
Accrued liabilities	1,338	1,502
Deferred revenue	743	(233)
Due to the Commission	7	-
Compensated absences	(36)	37
Net cash used in operating activities	$ (16,418)	$ (19,306)
Noncash Transactions:		
Construction in progress additions in accounts payable	$ 20	$ -
Capitalization of interest	$ 36	$ 11
Donations	$ -	$ 66
Loss on dispositions	$ 291	$ 1
Other post employment benefits liability	$ 1,319	$ 1,343
Capital payments on behalf of WVU Parkersburg	$ 3,315	$ 329
Other payments on behalf of WVU Parkersburg	$ 17	$ -
Reconciliation of cash and cash equivalents to the statements of net assets:		
Cash and cash equivalents classified as current assets	$ 13,327	$ 11,186
Cash and cash equivalents classified as noncurrent assets	-	400
	$ 13,327	$ 11,586

See notes to financial statements.

1. ORGANIZATION

West Virginia University at Parkersburg ("Parkersburg") is governed by the West Virginia University at Parkersburg Board of Governors (the "Board"). The Board was established by House Bill 3215 ("H.B. 3215").

During fiscal year 2008, H.B. 3215 was passed which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, the administratively linked community and technical colleges of West Virginia University (the "University") established their own Boards of Governors.

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise and manage the financial, business and educational policies and affairs of the institution under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

The West Virginia Council for Community and Technical College Education (the "Council") (two year education) and the West Virginia Higher Education Policy Commission (the "Commission") (four year and post graduate education) collectively comprise the West Virginia Higher Education Fund. Both the Council and the Commission were legislatively created under Senate Bill No. 448 and Senate Bill No. 653, respectively.

The Council is responsible for developing, overseeing and advancing the State's public policy agenda as it relates to community and technical college education. The Council is comprised of 12 persons appointed by the Governor with the advice and consent of the Senate.

The University and the separately established community and technical colleges oversaw a plan that ensured the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking and athletics through fiscal year 2012. The University continues to provide Parkersburg with administrative and academic support services under a service agreement.

As a requirement of Governmental Accounting Standards Board (GASB) standards, Parkersburg has included information from WVU at Parkersburg Foundation, Inc. (the "Foundation").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Parkersburg have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of Parkersburg's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

a. *Reporting Entity* — Parkersburg is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. Parkersburg is a separate entity which, along with all State institutions of higher education, the Council and the Commission (which includes West Virginia Network for Educational Telecomputing (WVNET)) form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State and its financial statements are discretely presented in the State's comprehensive annual financial report.

   The foundation is not part of the Parkersburg reporting entity and is not consolidated in the accompanying financial statements since Parkersburg has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for fiscal matters of the foundation under GASB. The accompanying financial statements present all funds under the authority of Parkersburg. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Parkersburg's ability to significantly influence operations and accountability for fiscal matters of related entities.

   In accordance with GASB, the audited financial statements of the Foundation are presented here as a discrete component unit with the Parkersburg financial statements for the fiscal years ended June 30, 2012 and 2011. The Foundation is a separate, private, nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the audited financial information as it is presented herein (See Note 17).

b. *Basis of Accounting* — For financial reporting purposes, Parkersburg is considered a special-purpose government engaged only in business-type activities. Accordingly, Parkersburg's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenditures are reported when materials or services are received.

c. *Cash and Cash Equivalents* — For purposes of the statement of net assets, Parkersburg considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

   Cash on deposit with the West Virginia Treasurer's Office (the "Treasurer") is invested in the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool with the West Virginia Board of Treasury Investments (BTI). These investments are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

   Cash and cash equivalents also include cash in bank accounts and cash on hand.

d. *Allowance for Doubtful Accounts* — It is Parkersburg's policy to provide for future losses on uncollectible accounts receivable based on an evaluation of the underlying account, the historical collectibility experienced by Parkersburg on such balances, and such other factors which, in Parkersburg's judgment, require consideration in estimating doubtful accounts.

e. *Inventories* — Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.

f. *Noncurrent Cash and Cash Equivalents* — Cash that is (1) externally restricted to make debt service payments or (2) to purchase capital or other noncurrent assets is classified as a noncurrent asset in the statement of net assets.

g. *Capital Assets* — Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, infrastructure, and land improvements, 3 to 15 years for furniture, equipment, and library books. Parkersburg's capitalization threshold for equipment is $5,000.

h. *Deferred Revenue* — Revenue for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as tuition, orientation fees, financial aid deposits, and advance payments on sponsored awards.

i. *Compensated Absences and Other Post Employment Benefits (OPEB)* — GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for post employment benefits for the State of West Virginia (the "State"). Parkersburg is required to participate in this multiple employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or http://www.wvpeia.com.

   GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. Parkersburg's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on or after July 1, 2001 will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer, cost sharing plan sponsored by the State (See Note 7).

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from Parkersburg. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense incurred for vacation leave or OPEB benefits is recorded as a component of benefits expense on the statement of revenues, expenses, and changes in net assets.

j. *Noncurrent Liabilities* — Noncurrent liabilities include (1) notes payable and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for OPEB liability and other liabilities that will not be paid within the next fiscal year.

k. *Net Assets* — GASB establishes standards for external financial reporting for public colleges and universities and require that the financial statements be presented on a basis to focus on Parkersburg as a whole. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of Parkersburg's obligations. Parkersburg's net assets are classified as follows:

- *Invested in capital assets, net of related debt* — This represents Parkersburg's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

- *Restricted net assets, expendable* — This includes resources in which Parkersburg is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

  The West Virginia Legislature (the "Legislature"), as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101, passed in March 2004, simplified the tuition and fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of Parkersburg. These restrictions are subject to change by future actions of the Legislature. At June 30, 2012 and 2011, Parkersburg had no restricted balances remaining in these funds.

- *Restricted net assets, nonexpendable* — This includes endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- *Unrestricted net assets* — Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources represent resources derived from student tuition and fees (not restricted as to use), state appropriations and sales and services of educational activities. Unrestricted net assets are used for transactions relating to the educational and general operations of Parkersburg, and may be designated for specific purposes by action of the Board.

l. *Classification of Revenues* — Parkersburg has classified its revenues according to the following criteria:

- *Operating revenues* — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

  Other operating revenues include revenue from leasing of Parkersburg's academic bookstore and retail store to Barnes & Noble College Bookstores, Inc., rental fees, commissions, and other miscellaneous revenues.

- *Nonoperating revenues* — Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell grants, investment income and sale of capital assets (including natural resources).

- *Other revenues* — Other revenues consist primarily of capital grants and gifts.

m. *Use of Restricted Net Assets* — Parkersburg has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, Parkersburg attempts to utilize restricted net assets first when practicable. Parkersburg did not have any designated net assets as of June 30, 2012 and 2011.

n. *Scholarship Allowances* — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by Parkersburg, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

o. *Federal Financial Assistance Programs* — Parkersburg makes loans to students under the Federal Stafford Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions like Parkersburg. Federal Stafford loan receivables are not included in Parkersburg's statement of net assets, as the loans are repayable directly to the U.S. Department of Education. Parkersburg made awards of $11.2 million in fiscal year 2012 and $12.5 million in fiscal year 2011 under the Federal Stafford Loan Program on behalf of the U.S. Department of Education; these amounts are not included as revenues and expenses on the statement of revenues, expenses, and changes in net assets.

   Parkersburg distributes student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In fiscal years 2012 and 2011, Parkersburg received and disbursed approximately $10.2 million and $12.4 million, respectively, under these federal student aid programs.

p. *Government Grants and Contracts* — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Parkersburg recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

q. *Income Taxes* — Parkersburg is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

r. *Cash Flows* — Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves are included as cash and cash equivalents for the purpose of the statement of cash flows.

s. *Risk Management* — The State's Board of Risk and Insurance Management (BRIM) provides general liability, property and auto insurance coverage, to Parkersburg and its employees. Such coverage is provided to Parkersburg by BRIM through a self-insurance program maintained by BRIM for general liability and auto insurance coverage. BRIM maintains a self-insurance program to pay the first $1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed $1,000,000. The BRIM self-insurance programs may involve experience and exposure related premiums.

   BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to Parkersburg or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums Parkersburg is currently charged by BRIM and the ultimate cost of that insurance based on Parkersburg's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to Parkersburg and Parkersburg's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

t. *Use of Estimates* — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

u. *Risks and Uncertainties* — Parkersburg utilizes various investment instruments that are exposed to risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.

v. *Newly Adopted Statements Issued by the GASB* — During fiscal year 2011, Parkersburg adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both tranferors and governmental operators. The adoption of this statement did not have a material impact on the financial statements.

   Parkersburg also adopted Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The adoption of this statement did not have a material impact on the financial statements.

   Parkersburg also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and ACIPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement did not have a material impact on the financial statements.

   Parkersburg also adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

w. *Recent Statements Issued by the Governmental Accounting Standards Board* — The Governmental Accounting Standards Board has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. Parkersburg has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Parkersburg has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

The GASB has also issued Statement No. 66, *Technical Corrections — 2012: An Amendment of GASB Statements No. 10 and No. 64*, effective for fiscal years beginning after December 15, 2012. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. Parkersburg has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

The GASB has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. Parkersburg has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30 (dollars in thousands):

2012

	Current		Noncurrent		Total	
Cash on deposit with the Treasurer	$	13,207	$	-	$	13,207
Cash in Bank		119		-		119
Cash on Hand		1		-		1
	$	13,327	$	-	$	13,327

2011

	Current		Noncurrent		Total	
Cash on deposit with the Treasurer	$	10,950	$	400	$	11,350
Cash in Bank		235		-		235
Cash on Hand		1		-		1
	$	11,186	$	400	$	11,586

These bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held as collateral by the bank in the name of the State.

Cash on deposit with the Treasurer. The cash on deposit with the Treasurer is pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and the BTI invests in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures and trust agreements when applicable. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements. These bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held as collateral by the bank in the name of the State.

The BTI maintains the Consolidated Fund investment fund which consists of eight investment pools and participant-directed accounts, three of which the Commission may invest in. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in the BTI's annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd, Room E-122, Charleston, WV 25305 or http://www.wvbti.com.

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI's investment policy to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI's Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund.

Cash in Bank. The carrying amount of cash in the bank at June 30, 2012 and 2011 was approximately $119,000 and $235,000, respectively, as compared with the bank balance of approximately $235,000 and $388,000, respectively. The difference is primarily caused by outstanding checks and items in transit. Non-interest bearing bank accounts are 100% FDIC insured through December 31, 2012 and are collateralized in the name of the State.

Cash on Hand. Imprest funds approved by the Treasurer comprise the cash on hand.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Of the BTI's Consolidated Fund pools and accounts in which Parkersburg invests, all are subject to credit risk.

WV Money Market Pool — For the years ended June 30, 2012 and 2011, the WV Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of $2,786,968,000 and $3,018,560,000, respectively, of which Parkersburg's ownership represents .41% and .32%, respectively.

WV Government Money Market Pool — For the years ended June 30, 2012 and 2011, the WV Government Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of $299,629,000 and $262,692,000, respectively, of which Parkersburg's ownership represents .03% and .03%, respectively.

WV Short Term Bond Pool — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2012			2011		
Security Type	Moody's	S & P		Value	Percent of Pool Assets		Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$	95,628	18.99%	$	87,197	18.40%
	Aaa	NR*		38,524	7.64		19,891	4.20
	Aa3	AA+**					454	0.10
	B1	CCC**		896	0.18		885	0.19
	B3	B**					366	0.08
	B3	BB**		311	0.06			
	B3	BBB**					631	0.13
	B3	BBB-**		53	0.01			
	B3	CCC**		280	0.06			
	Ca	CCC**		586	0.12		664	0.14
	Caa2	CCC**		186	0.04		473	0.10
	Caa3	CCC**		243	0.05		393	0.08
	Caa3	D**		26	0.01		27	0.01
	NR	AA+		3,900	0.77			
	NR*	NR*		3,786	0.75		4,000	0.84
				144,419	26.68		114,981	24.27
Corporate bonds and notes	Aaa	AA					2,043	0.43
	Aa1	A					4,143	0.87
	Aa2	AA+		9,025	1.79			
	Aa2	AA					11,866	2.50
	Aa3	AA					7,064	1.49
	Aa3	AA-		15,666	3.11			
	Aa3	A		23,032	4.57		13,040	2.75
	A1	AA		12,145	2.41		8,107	1.71
	A1	A+		30,684	6.09			
	A1	A					22,731	4.80
	A2	AA					2,555	0.54
	A2	A		39,064	7.76		23,976	5.06
	A3	A					8,770	1.85
	A3	A-		7,755	1.54			
	A3	BBB+		3,006	0.60			
	Baa1	A-		4,162	0.83			
	Baa2	A-		6,709	1.33			
				151,248	30.03		104,295	22.00
Commercial Paper	P-1	A-1					15,995	3.38
U.S. agency bonds	Aaa	AAA					20,017	4.22
U.S. agency bonds	Aaa	AA+		45,024	8.94			
U.S. Treasury notes***	Aaa	AAA					25,034	5.28
U.S. Treasury notes***	Aaa	AA+		44,251	8.79			
U.S. agency mortgage backed securities****	Aaa	AAA					97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+		77,065	15.3			
Money Market Funds	Aaa	AAAm		41,610	8.26		96,287	20.32
			$	503,617	100%	$	473,905	100%

*NR = Not Rated

**The securities were not in compliance with BTI Investment Policy at June 30, 2011 and/or 2010. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI Management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

***U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

****U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2012 and 2011, Parkersburg's ownership represents .30% and .30%, respectively, of these amounts held by the BTI.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

All the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

WV Money Market Pool — The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 90,204	3	$ 84,357	1
U.S. Treasury notes	330,865	122	298,345	137
U.S. Treasury bills	237,978	37	231,051	34
Commercial paper	853,470	35	1,069,576	35
Certificates of deposit	110,000	10	140,000	58
U.S. agency discount notes	738,706	44	697,164	45
Corporate bonds and notes	36,000	48	127,000	20
U.S. agency bonds/notes	189,691	68	170,788	66
Money market funds	200,054	1	200,279	1
	$ 2,786,968	46	$ 3,018,560	46

WV Government Money Market Pool — The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	2012 Carrying Value (In Thousands)		2012 WAM (Days)	2011 Carrying Value (In Thousands)		2011 WAM (Days)
Repurchase agreements	$	91,900	3	$	98,400	1
U.S. Treasury notes		103,324	111		45,811	131
U.S. Treasury bills		4,999	62			
U.S. agency discount notes		76,397	52		60,852	74
U.S. agency bonds/notes		23,004	9		57,498	22
Money market funds		5	1		131	1
	$	299,629	54	$	262,692	45

WV Short Term Bond Pool — The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Type	2012 Carrying Value (In Thousands)		2012 Effective Duration (Days)	2011 Carrying Value (In Thousands)		2011 WAM (Days)
U.S. Treasury bonds/notes	$	44,251	366	$	25,034	227
Commercial Paper					15,995	55
Corporate notes		151,248	242		104,295	234
Corporate asset backed securities		144,419	250		114,981	268
U.S. agency bonds/notes		45,024	23		20,017	85
U.S. agency mortgage backed securities		77,065	13		97,296	18
Money market funds		41,610	1		96,287	1
	$	503,617	180	$	473,905	138

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's Consolidated Fund pool or account's investment in a single corporate issuer.

The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net assets is invested in a pool managed by the securities lending agent. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30 (dollars in thousands):

	2012	2011
Student tuition and fees, net of allowances for doubtful accounts of $270 and $0	$ 224	$ 15
Grants and contracts receivable	103	19
Due from other State agencies	245	-
Other	1	82
	$ 573	$ 116

5. CAPITAL ASSETS

Balances and changes in capital assets were as follows at June 30 (dollars in thousands):

2012	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 913	$ -	$ -	$ 913
Construction in progress	1,142	5,006	(891)	5,257
Total capital assets not being depreciated	$ 2,055	$ 5,006	$ (891)	$ 6,170
Other capital assets:				
Land improvements	$ 249	$ 162	$ -	$ 411
Buildings	21,759	729	-	22,488
Equipment	2,847	271	(476)	2,642
Library books	2,057	21	(2)	2,076
Software	-	6	-	6
Infrastructure	1,805	-	-	1,805
Total other capital assets	28,717	1,189	(478)	29,428
Less accumulated depreciation for:				
Land improvements	(25)	(26)	-	(51)
Buildings	(9,526)	(442)	-	(9,968)
Equipment	(1,424)	(220)	181	(1,463)
Library books	(1,951)	(32)	2	(1,981)
Software	-	-	-	-
Infrastructure	(1,531)	(76)	-	(1,607)
Total accumulated depreciation	(14,457)	(796)	183	(15,070)
Other capital assets, net	$ 14,260	$ 393	$ (295)	$ 14,358
Capital Assets Summary:				
Capital assets not being depreciated	$ 2,055	$ 5,006	$ (891)	$ 6,170
Other capital assets	28,717	1,189	(478)	29,428
Total cost of capital assets	30,772	6,195	(1,369)	35,598
Less accumulated depreciation	(14,457)	(796)	183	(15,070)
Capital assets, net	$ 16,315	$ 5,399	$ (1,186)	$ 20,528

2011	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated or amortized:				
Land	$ 913	$ -	$ -	$ 913
Construction in progress	276	1,851	(985)	1,142
Total capital assets not being depreciated or amortize	$ 1,189	$ 1,851	$ (985)	$ 2,055
Other capital assets:				
Land improvements	$ 89	$ 160	$ -	$ 249
Buildings	20,944	815	-	21,759
Equipment	2,570	291	(14)	2,847
Library books	2,032	27	(2)	2,057
Infrastructure	1,796	9	-	1,805
Total other capital assets	27,431	1,302	(16)	28,717
Less accumulated depreciation or amortization for:				
Land improvements	(11)	(14)	-	(25)
Buildings	(9,093)	(433)	-	(9,526)
Equipment	(1,203)	(236)	15	(1,424)
Library books	(1,914)	(39)	2	(1,951)
Infrastructure	(1,455)	(76)	-	(1,531)
Total accumulated depreciation and amortization	(13,676)	(798)	17	(14,457)
Other capital assets, net	$ 13,755	$ 504	$ 1	$ 14,260
Capital Assets Summary:				
Capital assets not being depreciated or amortized	$ 1,189	$ 1,851	$ (985)	$ 2,055
Other capital assets	27,431	1,302	(16)	28,717
Total cost of capital assets	28,620	3,153	(1,001)	30,772
Less accumulated depreciation and amortization	(13,676)	(798)	17	(14,457)
Capital assets, net	$ 14,944	$ 2,355	$ (984)	$ 16,315

Parkersburg maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures and literature that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Parkersburg capitalized interest on borrowings, net of interest earned on related debt of approximately $36,000 and $11,000 during fiscal years 2012 and 2011, respectively.

6. LONG-TERM LIABILITIES

Balances and changes in long-term liabilities were as follows at June 30 (dollars in thousands):

2012	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other post employment benefits liability	$ 3,283	$ 1,319	$ -	$ 4,602	
Debt service assessment payable					
to the Commission	151	-	(151)	-	
Leases payable	3,167	-	(3,167)	-	
Note payable to West Virginia University	-	3,167	(105)	3,062	$ 153
Note payable to the Commission	400	-	(80)	320	80
Total long-term liabilities	$ 7,001	$ 4,486	$ (3,503)	$ 7,984	

2011	Transfers	Additions	Reductions	Ending Balance	Due within One Year
Other post employment benefits liability	$ 1,940	$ 1,343	$ -	$ 3,283	
Debt service assessment payable					
to the Commission	295	-	(144)	151	$ 151
Leases payable	3,292	-	(125)	3,167	104
Bonds payable	-	-	-	-	
Note payable to the Commission	-	400	-	400	80
Other noncurrent liabilities	1	-	(1)	-	
Total long-term liabilities	$ 5,528	$ 1,743	$ (270)	$ 7,001	

7. OTHER POST EMPLOYMENT BENEFITS

OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012, 2011, and 2010, the noncurrent liability related to OPEB was $4,601,584, $3,282,503, and $1,940,329, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were $1,693,282 and $367,603 respectively, during 2012, $1,753,626 and $389,038, respectively, during 2011, and $1,863,041 and $344,523, respectively, during 2010. As of the years ended June 30, 2012, 2011, and 2010, there were 32, 33, and 33 retirees, respectively, receiving these benefits.

8. LEASES PAYABLE

a. *Operating*—Future annual minimum lease payments on operating leases for years subsequent to June 30, 2012 are as follows (dollars in thousands):

Fiscal Year Ending June 30,		
2013	$	91
2014		83
2015		33
Total	$	207

Total rent expense for these operating leases for the years ended June 30, 2012 and 2011 was approximately $122,000 and $97,000, respectively. Parkersburg does not have any non-cancelable leases.

b. *Capital*—During fiscal year 2011, Parkersburg leased certain property, plant and equipment under capital leases. Net book value of leased assets totaled $3.2 million at June 30, 2011. Parkersburg does not have any capital leases at June 30, 2012.

9. NOTES PAYABLE

In 2008, the University entered into an agreement with Siemens Building Technologies, Inc. to perform Phase II of the Energy Performance contract. The contract was to install certain energy enhancement equipment in buildings on the University's campuses, including Parkersburg. The cost of the contract was financed with a lease purchase agreement between the University and Suntrust Leasing Corporation ("Suntrust").

Beginning in fiscal year 2009, when Parkersburg became a separate entity from the University, the Parkersburg portion of the Energy Performance Phase II lease purchase was reported on Parkersburg's statement of net assets as a lease payable.

During fiscal year 2012, the University issued the 2011 Series B and C bonds which in part paid off the Energy Performance Phase II lease purchase with Suntrust. After the bonds were issued, an agreement was entered into between the University and Parkersburg wherein Parkersburg agreed to continue to pay the University based on their portion of the original amortization schedule for the lease purchase with Suntrust. This source of funds is internally assigned by the University to pay the 2011 Series B and C bonds.

The original amount of the note related to Parkersburg was $3,316,991 with an interest rate of 3.98%. The term of the note was 16 years with the last payment due in January 2024. The new agreement between the University and Parkersburg used the same terms. The outstanding note payable at June 30, 2012 was $3,062,679. Interest incurred during fiscal year 2012 was $98,831 and is recorded as interest on capital asset-related debt on the statement of revenues, expenses, and changes in net assets.

In 2011, Parkersburg received a loan of $400,000 from the Commission for the purpose of making improvements to the W. T. Grant building located in downtown Parkersburg, WV.

The term of the note was 5 years with the last payment due in July 2017. The loan is interest free and payments are due semi-annually. The outstanding note payable at June 30, 2012 and 2011 was $320,000 and $400,000, respectively.

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Parkersburg is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, Parkersburg is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of Parkersburg's operations, its tuition and fee structure, its personnel policies and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities within the Council. Financing for these facilities was provided through revenue bonds issued by either the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia or the former Interim Governing Board (collectively, the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. Certain tuition and registration fees (referred to as system fees) of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain a capital obligation of the Commission; however, effective June 30, 2002, an amount of principal related to each institution was reported as debt service assessment payable to the Commission by each institution and as a receivable by the Commission. Parkersburg paid off its liability to the Commission in 2012.

The Commission issued 2004 Series B Higher Education Facilities Revenue Bonds (the "HEPC 2004 B Bonds") in August 2004 to provide funds for capital improvements at institutions of higher education throughout the State's universities and colleges, including Parkersburg. The HEPC 2004 B Bonds are secured by the pledge of higher education institutions' tuition and registration fees as well as excess lottery revenues. The HEPC 2004 B Bonds are considered an indirect obligation of Parkersburg and the principal amount of the bonds related to Parkersburg is not reported as a payable to the Commission.

During December 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of $6,000,000 for Parkersburg. As of June 30, 2012 and June 30, 2011, respectively, $3,656,288 and $341,248 has been recognized by Parkersburg. State lottery funds will be used to repay the debt.

11. UNRESTRICTED NET ASSETS

Parkersburg did not have any designated unrestricted net assets as of June 30, 2012 or 2011.

	2012	2011
Total unrestricted net assets before OPEB liability	$ 9,611	$ 7,402
Less: OPEB liability	4,602	3,283
Total unrestricted net assets	$ 5,009	$ 4,119

12. RETIREMENT PLANS

Substantially all full-time employees of Parkersburg participate in either the West Virginia Teachers' Retirement System (the STRS) or the Teachers' Insurance and Annuities Association—College Retirement Equities Fund (the TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers Defined Contribution Plan by Parkersburg employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

The STRS is a cost sharing, defined benefit public retirement system. Employer and employee contribution rates are established annually by the Legislature. The contractual maximum contribution rate is 15%. Parkersburg accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2012 and 2011. Required employee contributions are at the rate of 6% of total annual salary for the years ended June 30, 2012 and 2011. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years salary out of the last 15 years) multiplied by the number of years of service.

The contribution rate is set by the Legislature on an overall basis, and STRS does not perform a calculation of the contribution requirement for individual employers, such as Parkersburg. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, WV 25304-1636.

Contributions to the STRS for each of the last three fiscal years were approximately as follows:

Fiscal Year Ending June 30,	Parkersburg	Employees	Total
2012	$ 17,000	$ 7,000	$ 24,000
2011	27,000	11,000	38,000
2010	33,000	13,000	46,000

The TIAA-CREF and Educators Money are defined contribution plans in which benefits are based upon amounts contributed plus investment earnings. Each employee who elects to participate in these plans is required to make a contribution equal to 6% of total annual compensation. Parkersburg simultaneously matches the employees' 6% contribution. Contributions are immediately and fully vested.

Contributions to the TIAA-CREF for each of the last three fiscal years were approximately as follows:

Fiscal Year Ending June 30,	Parkersburg	Employees	Total
2012	$ 564,000	$ 564,000	$ 1,128,000
2011	542,000	542,000	1,084,000
2010	517,000	517,000	1,034,000

Contributions to the Educators Money for each of the last three fiscal years were approximately as follows:

Fiscal Year Ending June 30,	Parkersburg	Employees	Total
2012	$ 16,000	$ 16,000	$ 32,000
2011	17,000	17,000	34,000
2010	17,000	17,000	34,000

Parkersburg's total payroll for the years ended June 30, 2012 and 2011 was approximately $11.5 million and $11.4 million, respectively, and total covered employees' salaries in the STRS, TIAA-CREF and Educators Money were approximately $111,000, $9.4 million, and $274,000 in fiscal year 2012 and $177,000, $9.0 million and $276,000 in fiscal year 2011, respectively.

13. COMMITMENTS

Parkersburg has zero outstanding contractual commitments for construction and improvement of facilities at June 30, 2012.

14. WVU AT PARKERSBURG FOUNDATION, INC.

The Foundation is a separate nonprofit organization incorporated in the State that has as its purpose “to provide, encourage and assist in the development and growth of Parkersburg and to render service and assistance to Parkersburg, its faculty, students, and alumni, and to the citizens of the State of West Virginia.” Oversight of the Foundation is the responsibility of an independently elected Board of Directors, not otherwise affiliated with Parkersburg. In carrying out its responsibilities, the Board of Directors of the Foundation forms policy and maintains fiscal accountability over funds administered by the Foundation. The Foundation’s financial statements are discretely presented as part of Parkersburg’s financial statements, as the net assets of the Foundation are “entirely or almost entirely” for the use of Parkersburg, in accordance with GASB standards.

During the years ended June 30, 2012 and 2011, the Foundation contributed $76,360 and $108,897, respectively, to Parkersburg for grants and scholarships.

15. SERVICE CONCESSION ARRANGEMENT

Parkersburg has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Parkersburg has identified one contract for services that meets the four criteria of a service concession arrangement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract.

Parkersburg and Barnes & Noble College Bookstores, Inc. (“Barnes & Noble”) are bound by a contractual agreement wherein Barnes & Noble leases and manages the bookstore at Parkersburg. The current contract term is from March 1, 2008 to April 30, 2018. The parties have agreed to annually negotiate the financial consideration portion of the contract. For the fiscal years ending June 30, 2012 and 2011, the guaranteed portion of the financial consideration consisted of $126,000 and $42,000, respectively. The contract terms also provide for variable amounts of sales commissions. These amounts were $230,000 and $150,000 for June 30, 2012 and 2011, respectively.

The contract designates Barnes & Noble as the exclusive provider of textbooks, course packs, and a variety of supplies and university-licensed clothing and souvenirs. Parkersburg retains the right to limit the price charged for many of these items and, in certain cases, Parkersburg specifies items that must be offered for sale in the bookstore. Barnes & Noble is bound, at Parkersburg’s bookstore location, by all brand exclusivity contracts that affect brands or products sold in the bookstore.

16. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against Parkersburg would not impact seriously on the financial status of Parkersburg.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, would not have a significant financial impact on Parkersburg's financial position.

Parkersburg owns various buildings that are known to contain asbestos. Parkersburg is not required by Federal, State or Local Law to remove the asbestos from its buildings. Parkersburg is required by Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. Parkersburg also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION
(Dollars in Thousands)

Parkersburg's operating expenses by functional and natural classification are as follows:

Year Ended June 30, 2012
Natural Classification

Functional Classification	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Assessments by the Commission	Service Agreement Expense	Total
Instruction	$ 7,479	$ 2,413	$ -	$ -	$ 1,881	$ -	$ -	$ -	$ 11,773
Public Service	2	-	-	-	1	-	-	-	3
Academic Support	585	216	-	-	340	-	-	-	1,141
Student Services	946	367	-	-	407	-	-	-	1,720
Operation and Maintenance of Plant	674	347	-	553	729	-	-	-	2,303
General Institutional Support	1,787	733	-	-	1,173	-	-	-	3,693
Student Financial Aid	-	-	6,845	-	-	-	-	-	6,845
Auxiliary Enterprises	-	-	-	-	53	-	-	-	53
Depreciation	-	-	-	-	-	796	-	-	796
Assessments by Commission for Operations	-	-	-	-	-	-	107	-	107
Service Agreement Expense	-	-	-	-	-	-	-	250	250
Total Expenses	$ 11,473	$ 4,076	$ 6,845	$ 553	$ 4,584	$ 796	$ 107	$ 250	$ 28,684

Year Ended June 30, 2011
Natural Classification

Functional Classification	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Assessments by the Commission	Service Agreement Expense	Total
Instruction	$ 7,380	$ 2,506	$ -	$ -	$ 2,242	$ -	$ -	$ -	$ 12,128
Public Service	2	9	-	-	7	-	-	-	18
Academic Support	577	249	-	-	511	-	-	-	1,337
Student Services	951	410	-	-	549	-	-	-	1,910
Operation and Maintenance of Plant	639	239	-	582	598	-	-	-	2,058
General Institutional Support	1,691	691	-	-	902	-	-	-	3,284
Student Financial Aid	-	-	9,164	-	-	-	-	-	9,164
Auxiliary Enterprises	121	22	-	-	106	-	-	-	249
Depreciation	-	-	-	-	-	798	-	-	798
Assessments by Commission for Operations	-	-	-	-	-	-	100	-	100
Service Agreement Expense	-	-	-	-	-	-	-	250	250
Total Expenses	$ 11,361	$ 4,126	$ 9,164	$ 582	$ 4,915	$ 798	$ 100	$ 250	$ 31,296

18. COMPONENT UNIT'S DISCLOSURES — FOUNDATION

The following are the notes taken directly from the audited financial statements of the Foundation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through August 24, 2012, the date which the financial statements were available to be issued.

Nature of Activities and Organization

The WVU at Parkersburg Foundation, Inc. (the Foundation) is a non-profit corporation organized under the laws of the State of West Virginia. The purpose of the Foundation is to "provide, encourage, and assist in the development and growth of West Virginia University at Parkersburg and to render service and assistance to the University, its faculty, students and alumni, and to the citizens of the State of West Virginia". The program expenses associated with the purpose of the Foundation represent approximately 49% of total expenses. Approximately 51% are spent for management and general expenses.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when they are incurred, whether or not cash is received or paid out at that time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets

Professional standards contained in the Not-For-Profit Entities – Presentation of Financial Statements Topic of the Financial Accounting Standard Board (FASB) Codification provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006, (UPMIFA), including guidance pertaining to disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of West Virginia adopted UPMIFA effective March 5, 2008. The financial statements for the years ended June 30, 2012 and 2011 were prepared in accordance with UPMIFA and Accounting Standards Codification (ASC) 958. The Foundation is governed subject to its corporate bylaws and most contributions are subject to the terms specified by the Foundation. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Under the terms of the governing documents and agreements with donors, the Board of Directors has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine.

Temporarily restricted net assets consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to the donor-restricted endowment funds.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment and spending policies work together to achieve this objective. Actual returns in any given year may vary from this account.

The Foundation's investment objectives are: to maintain the purchasing power of its funds by preserving the real (after inflation) value of its assets; to provide the maximum flow of funds for grant making and operating expenses; and to ensure that an average net return is provided that at least matches or exceeds widely used comparison indices as they pertain to each asset allocation class.

To satisfy its investment objectives over long periods of time, the Foundation relies on a total return strategy in which investment returns are obtained through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation's investment managers shall consider the long and short term needs of the Foundation in carrying out its charitable purposes, its present and anticipated financial requirements as have been communicated to them by the Foundation's representatives, expected total return on the Foundation's investments, price level trends, and general economic conditions. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return.

Income Tax Status

By a letter issued December 15, 1963, the Internal Revenue Service has determined that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to federal and state income taxes on its exempt purpose activities. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

The Foundation has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes,* which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2012, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. The Foundation's returns for years ending on or after June 30, 2009 remain subject to examination.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all cash accounts and all highly liquid instruments purchased with an original maturity of three months or less, which are not held for long-term investment and are not subject to withdrawal restrictions or penalties, to be cash and cash equivalents.

Investments

The Foundation maintains its funds in a pooled investment account. Income of the investment pool is distributed based on the percentage relationship of the individual fund balance to the total of the fund balances involved. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law. Quoted market values are used to value investments. The Foundation does not require collateral to secure its investments.

The Foundation carries investments with readily determinable market values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

To facilitate the observance of the general intent of contributions and bequests, the Foundation maintains separate trust and/or fund accounts.

Contributions and Grants

Contributions received by the Foundation are reported at their fair market values on the date of such gifts.

Grants made by the Foundation are recorded in the financial statements at the time the grants are approved by the Board of Directors of the Foundation. Payments are made when requested by the grantee.

Advertising

It is the policy of the Foundation to expense advertising costs as incurred. Advertising costs for the years ended June 30, 2012 and 2011 were $1,840 and $1,841, respectively.

Risks and Uncertainties

The Foundation invests in various instruments, including fixed income, stocks, mutual funds, and real assets that, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Reclassification of Prior Year's Statements

Certain amounts in the 2011 financial statements, as previously presented, have been reclassified to conform with the 2012 presentation. The reclassifications had no effect on net assets or the change in net assets.

NOTE 2: INVESTMENTS

The investments are stated at estimated fair value in the financial statements. The following is an analysis of the composition of the Foundation's investments as of June 30, 2012 and 2011:

	JUNE 30,	
	2012	2011
INVESTMENTS, AT FAIR VALUE		
Mutual Funds	$ 5,267,779	$ 5,510,367
Corporate Bonds	763,232	786,175
Stocks	796,117	747,881
Other Investments	8,455	11,512
TOTAL INVESTMENTS, AT FAIR VALUE	**$ 6,835,583**	**$ 7,055,935**

Mutual Funds

Fair values of mutual funds summarized by type as of June 30, 2012 and 2011 are as follows:

	JUNE 30,	
	2012	2011
Alternative Strategies	$ 1,344,351	$ 1,332,202
Domestic Equity and Fixed	2,223,117	1,927,309
Fixed Income	663,633	906,975
Global Equity	399,106	264,442
International Equity	637,572	1,079,439
Total Mutual Funds	**$ 5,267,779**	**$ 5,510,367**

Corporate Bonds

Fair values of corporate bonds summarized by type as of June 30, 2012 and 2011 are as follows:

	JUNE 30,	
	2012	2011
Consumer Discretionary	$ 110,411	$ 98,272
Energy	26,553	27,279
Financials	315,611	279,113
Healthcare	56,591	50,954
Miscellaneous	254,066	330,557
Total Corporate Bonds	**$ 763,232**	**$ 786,175**

NOTE 2: INVESTMENTS (CONTINUED)

Fair values of corporate bonds summarized by bond rating as of June 30, 2012 and 2011 are as follows:

	JUNE 30, 2012	JUNE 30, 2011
AAA	$ -0-	$ 254,097
AA+	433,382	151,049
AA	167,002	149,226
A+	-0-	25,666
A	52,481	27,279
Not Rated	110,367	178,858
Total Corporate Bonds	**$ 763,232**	**$ 786,175**

Par values of corporate bonds summarized by maturity date as of June 30, 2012 and 2011 are as follows:

	JUNE 30, 2012	JUNE 30, 2011
Less Than One Year	$ -0-	$ -0-
One to Five Years	325,000	375,000
Five to Ten Years	400,000	400,000
Total Corporate Bonds	**$ 725,000**	**$ 775,000**

Stocks

Fair values of stocks summarized by type as of June 30, 2012 and 2011 are as follows:

	JUNE 30, 2012	JUNE 30, 2011
Consumer Discretionary	$ 34,704	$ -0-
Consumer Staples	90,745	73,263
Energy	77,547	116,011
Financials	232,719	226,285
Healthcare	45,193	32,309
Industrials	116,039	150,936
Information Technology	78,811	33,540
Materials	-0-	41,763
Telecommunications Services	46,287	36,310
Utilities	74,072	37,464
Total Stocks	**$ 796,117**	**$ 747,881**

NOTE 3: FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Foundation groups its financial assets generally measured at fair value in three levels, based on markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

<u>Level 1</u> - Valuation is based on quoted prices in active markets for identical assets that the Foundation has the ability to access at the measurement date. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

<u>Level 2</u> - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.

<u>Level 3</u> - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

NOTE 3: FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Mutual Funds:				
Alternative Strategies	$ 1,344,351	$ 1,344,351	$	$
Domestic Equity and Fixed	2,223,117	2,223,117		
Fixed Income	663,633	663,633		
Global Equity	399,106	399,106		
International Equity	637,572	637,572		
Total Mutual Funds	**5,267,779**	**5,267,779**	**-0-**	**-0-**
Corporate Bonds:				
Consumer Discretionary	110,411		110,411	
Energy	26,553		26,553	
Financials	315,611	110,367	205,244	
Healthcare	56,591		56,591	
Miscellaneous	254,066		254,066	
Total Corporate Bonds	**763,232**	**110,367**	**652,865**	**-0-**
Stocks:				
Consumer Discretionary	34,704	34,704		
Consumer Staples	90,745	90,745		
Energy	77,547	77,547		
Financials	232,719	92,719	140,000	
Healthcare	45,193	45,193		
Industrials	116,039	116,039		
Information Technology	78,811	78,811		
Telecommunication Services	46,287	46,287		
Utilities	74,072	74,072		
Total Stocks	**796,117**	**656,117**	**140,000**	**-0-**
Total Other Investments	**8,455**	**-0-**	**8,455**	**-0-**
Total Investments	**$ 6,835,583**	**$ 6,034,263**	**$ 801,320**	**$ -0-**

NOTE 3: FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Mutual Funds:				
Alternative Strategies	$ 1,332,202	$ 1,332,202	$	$
Domestic Equity and Fixed	1,927,309	1,927,309		
Fixed Income	906,975	906,975		
Global Equity	264,442	264,442		
International Equity	1,079,439	1,079,439		
Total Mutual Funds	**5,510,367**	**5,510,367**	**-0-**	**-0-**
Corporate Bonds:				
Consumer Discretionary	98,272		98,272	
Energy	27,279		27,279	
Financials	279,113		279,113	
Healthcare	50,954		50,954	
Miscellaneous	330,557		330,557	
Total Corporate Bonds	**786,175**	**-0-**	**786,175**	**-0-**
Stocks:				
Consumer Staples	73,263	73,263		
Energy	116,011	116,011		
Financials	226,285	226,285		
Healthcare	32,309	32,309		
Industrials	150,936	150,936		
Information Technology	33,540	33,540		
Materials	41,763	41,763		
Telecommunication Services	36,310	36,310		
Utilities	37,464	37,464		
Total Stocks	**747,881**	**747,881**	**-0-**	**-0-**
Total Other Investments	**11,512**	**-0-**	**11,512**	**-0-**
Total Investments	**$ 7,055,935**	**$ 6,258,248**	**$ 797,687**	**$ -0-**

NOTE 4: NET ASSETS

Temporarily Restricted

Temporarily restricted net assets reflect amounts contributed by donors whose restriction has not been met either by time or use restriction.

As of June 30, 2012 and 2011, total temporarily restricted assets consisted of:

	JUNE 30,	
	2012	**2011**
Cash in Sub Accounts - United	$ 519,467	$ 195,854
Pooled Investment Fund	4,829,713	5,179,544
Contribution and Accrued Receivables	8,522	23,982
Mineral Rights	2,014	2,014
TOTAL	**$ 5,359,716**	**$ 5,401,394**

Permanently Restricted

As of June 30, 2012 and 2011, total permanently restricted assets consisted of:

	JUNE 30,	
	2012	**2011**
Pooled Investment Fund	$ 1,834,143	$ 1,888,338

NOTE 5: ENDOWED FUNDS

Endowment Funds constitute approximately 96% of the Foundation's invested assets. At this time, all of the endowed funds were created from donations restricted for scholarships under either permanent endowment or under temporary restrictions from agreements with donors. The pooled investment fund presented on the statements of financial position is an exclusive pooled fund of the WVU at Parkersburg Foundation, Inc., created and managed for the endowed funds by a bank trust department. From time to time throughout the year, the various endowment funds purchase or sell equivalent unit shares in the pooled investment fund based on the cash and liquidity needs for each of the funds. The non-endowed funds are held in cash accounts and income liquid assets funds.

NOTE 5: ENDOWED FUNDS (CONTINUED)

A summary of the net assets of the endowed and non-endowed funds and net changes therein consisted of the following from June 30, 2010 through June 30, 2012:

	ENDOWED NET ASSETS	NON-ENDOWED NET ASSETS	TOTAL NET ASSETS
Balance as of June 30, 2010	**$ 6,126,333**	**$ 370,907**	**$ 6,497,240**
Net Change During the Year	1,035,262	(30,246)	1,005,016
Balance as of June 30, 2011	**$ 7,161,595**	**$ 340,661**	**$ 7,502,256**
Net Change During the Year	(134,929)	(9,702)	(144,631)
Balance as of June 30, 2012	**$ 7,026,666**	**$ 330,959**	**$ 7,357,625**

Contributions for the creation of new endowment funds under the "Building Toward Endowment Program" are classified as unrestricted funds until such time as the new fund reaches the required amount in effect at the time of the creation of the fund to be reclassified as an endowment fund.

A reconciliation of endowed net assets with restricted and unrestricted net assets is as follows at June 30, 2012 and 2011:

	JUNE 30,	
	2012	2011
Endowed Restricted Net Assets	$ 7,026,666	$ 7,161,595
Non-Endowed Restricted Net Assets	167,193	128,137
Unrestricted Net Assets	163,766	212,524
Total Net Assets	**$ 7,357,625**	**$ 7,502,256**

NOTE 6: RELATED PARTY TRANSACTIONS

The Foundation was organized to provide service and assistance to West Virginia University at Parkersburg. The Foundation reimburses the University for scholarships, faculty and staff development costs, the president's fund, and certain equipment and supply expenditures that are approved by the Foundation in the form of grants and scholarships. Services provided to the West Virginia University at Parkersburg for the years ended 2012 and 2011 were $76,360 and $108,897, respectively.

In addition to these monetary transactions, the University provides immaterial amounts for office space, use of office equipment, and accounting services to the Foundation at no charge, the fair value of which is immaterial to these financial statements.

During the years ended June 30, 2012 and 2011, United Bank received $36,528 and $34,898, respectively, for fiduciary fees to maintain the trust accounts.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the West Virginia University at Parkersburg Board of Governors:

We have audited the accompanying financial statements of West Virginia University at Parkersburg ("WVU at Parkersburg") as of June 30, 2012, and have issued our report thereon dated November 21, 2012, which states reliance on other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits of the WVU at Parkersburg's discretely presented component unit were conducted in accordance with generally accepted auditing standards, but not in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of WVU at Parkersburg is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered WVU at Parkersburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WVU at Parkersburg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WVU at Parkersburg's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WVU at Parkersburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of West Virginia University at Parkersburg Board of Governors, management of WVU at Parkersburg and the West Virginia Council for Community and Technical College Education, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 21, 2012